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Taiwan

Grain and Feed

Rice Update, November 2002 2002

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Report Highlights:

U.S. rice is expected to account for more than 60 percent of imports under Taiwan's WTO Minimum Market Access quota. Favorable weather has boosted forecast 2002 rice production to 1.28 million tons, a 2.4 percent increase from 2001. Despite increased production and imports, paddy prices remain near historical averages.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Unscheduled Report

Taipei [TW1], TW

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Production

Favorable weather raised forecast 2002 milled rice production to 1.28 million mt, a 2.4 percent increase from 2001. The short drought during the first crop's planting season was offset by favorable weather and increased second crop planting area. Guaranteed government prices continue to boost production although Taiwan rice is not price competitive on the world market and Taiwan has committed to import 144,720 mt (equivalent to 127,353 mt on a milled rice basis) in 2002 under its WTO Minimum Market Access (MMA) agreement.

Consumption

Total domestic rice consumption in 2002 and 2003 is estimated to remain level at 1.25 million mt. This represents a stabilization in per capita rice consumption that had been falling steadily for the past two decades because of rising disposable income, increasingly western-style food consumption patterns and the replacement of cereals by meat in the diet. However, in 2001-2 poor general economic conditions have arrested the decline by encouraging a temporary shift in favor of home dining, and therefore, more traditional consumption of rice. Per capita rice consumption in 2000 was 54.17 kg, compared to 54.90 kg in 1999 and 65.94 kg in 1990.

Prices

Despite increased rice production and imports, Taiwan rice prices remain near historical averages. In September 2002, COA reported paddy prices of NT\$16.04 /kg. This is only 8.6 percent below the nine-year average of NT\$17.55/kg and 6 percent below September 2001 prices. However, Taiwan media recently reported "low prices" by comparing current prices with unusually high spring 2002 prices of NT\$22-23/kg. These reports have created controversy in the media and legislature regarding the impact of imports on domestic rice prices.

Paddy Rice Prices: September 1993- September 2002

Year	Price
1993	1695
1994	1587
1995	1802
1996	2121
1997	1686
1998	1768
1999	1783
2000	1649
2001	1705
93-01 Ave	1755
2002	1604
Difference	-8.6%

Source: Taiwan Agricultural Prices and Costs Monthly, Sept 1993-2002

In the short-term, COA will likely increase stocks to more than 400,000 tons. In the long-term, COA plans to cut domestic rice production and increase local rice exports as food aid. COA published a food aid proposal where Taiwan would give away 100,000 tons of rice annually. Taiwan's current WTO agreement bans the re-export of imported rice or its use as animal feed, as well as the use of rice export subsidies or trade through barter mechanisms.

Trade

Taiwan became a member of the WTO on January 1, 2002. On December 31, 2001, Taiwan formally lifted the ban on rice imports and announced its import procedures. Under a MMA, Taiwan must import a total of 144,720 mt on a brown rice basis (equivalent to about 127,350 mt on a milled rice basis) in 2002. Of this, 65 percent (94,068 mt) are government imports and 35 percent (50,652 mt) private imports. The rice import regime for 2003 and beyond will be determined by negotiations between Taiwan and other WTO contracting parties. Taiwan recently presented a proposal to the WTO which envisions converting the MMA to a Tariff Rate Quota.

In the first nine months of 2002, U.S. rice performed well in both the private sector and government import markets.

Quota Rice Imports to Taiwan, January - September 2002

	All Other Milled Rice		Brown Rice		Total Quota Rice*	
	Qty	%	Qty	%	Qty	%
AU	1,801	10.0%	3,999	12.0%	6,046	11.2%
JP	196	1.0%	0	0.0%	223	0.4%
TH	7,580	43.0%	0	0.0%	8,614	15.9%
US	8,138	46.0%	30,001	88.0%	39,249	72.5%
VN	42	0.0%	0	0.0%	42	0.1%
Total	17,757		34,000		54,173	

* Total reported on a Brown Rice basis, using a conversion factor of 0.88.

Total Quota Imports do not include imports of processed rice products.

Source: Taiwan Customs

Imports: Public Tender Results

U.S. exports have accounted for 68,068 tons (74 percent) of the 92,068 tons awarded. The government has not yet released imported rice from stocks and, with the clamor from rice farmers over perceived low prices, we expect further delays. U.S. rice exporters are also being affected by the West Coast port disruptions which may delay deliveries into 2003.

2002 Taiwan Public Tender Rice Awards

Award Date	Tonnage	Country
June 14 - Canceled	0	None
July 12	30,000 mt	U.S.
July 29	24,000 mt	Australia
August 30	14,000 mt	U.S.
September 25	24,068 mt	U.S.
October 17 - Rebid	2,000 mt	None
November 4	2,000 mt	Upcoming

Source: Central Trust of China

The final 2,000-ton long grain tender was not awarded the first time because no bidder met Taiwan's technical specifications. On October 22, Taiwan changed the tender terms and will buy medium grain rice instead of long grain.

Imports: Private Sector Trade Results

On October 22, COA allocated the remaining 10,000 tons of private sector rice quota at a mark-up of NT\$8.26/kg. In each tranche, the markups start at a ceiling level of NT\$23.26/kg for table rice and NT\$25.59/kg for processed rice products and drop in NT\$3 increments every two weeks until the entire tranche is allocated. The West Coast port disruption may result in substantial trade diversions away from U.S. suppliers. The effect could be especially severe for quota allocated late in 2002.

Final Private Sector Quota Allocation Results

Round, Session	Start Date	Markup (NT\$)	MT Used
1,1	Mar 13	\$23.26	617
1,2	Mar 26	\$20.26	5,321
1,3	Apr 9	\$17.26	4,010
Round 1:		\$19.24	9,948
2,1	May 3	\$23.26	2,094
2,2	May 17	\$20.26	2,441
2,3	May 31	\$17.26	1,804
2,4	Canceled	\$14.26	0
Round 2:		\$20.40	6,339
3,1	Jul 12	\$23.26	0
3,2	Jul 26	\$20.26	0
3,3	Aug 9	\$17.26	3,081
3,4	Aug 23	\$14.26	6,650
Round 3:		\$15.21	9,731
4,1	Sep 20	\$14.26	0
4,2	Oct 4	\$11.26	6,594
4,3	Oct 18	\$8.26	10,000
Round 4:		\$9.45	16,594
Total & Weighted Average		\$14.68	42,612

Note: Totals do not include allocations for processed rice:

- 52 tons allocated on March 13, Round One, Session One at NT\$25.59/kg.
- 220 mt allocated on September 20, Round Four, Session One at NT\$16.59/kg.
- 54 tons allocated on August 9, Round Three, Session Three, at NT\$19.59/kg.
- 200 tons allocated on October 4, Round Four, Session Two, at NT\$13.59/kg.

Source: Central Trust of China.

Exports

In September, COA proposed new "Guidelines for Humanitarian Food Aid" under which Taiwan would ship up to 100,000 tons of rice overseas as food aid. Although the rice would be donated to recipients (FOB), all associated handling and export costs would be borne by food aid applicants. These conditions have resulted in little interest in the program.

Taiwan committed to stop selling surplus rice on the world market at discounted prices after WTO entry. Total 2002 rice exports are forecast at 93,000 mt. According to COA, all 2002 exports were contracted before WTO entry.

Data Tables

PS&D, Rice: 2001-2003

PSD Table						
Country	Taiwan					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	340	340	338	338	0	310
Beginning Stocks	124	651	84	525	63	370
Milled Production	1342	1342	1245	1245	0	1276
Rough Production	1906	1906	1750	1750	0	1859
MILLING RATE (.9999)	7040	7040	7115	7115	0	6864
TOTAL Imports	3	6	23	6	0	133
Jan-Dec Imports	23	6	125	6	0	133
Jan-Dec Import U.S.	0	0	0	0	0	80
TOTAL SUPPLY	1469	1999	1352	1776	63	1779
TOTAL Exports	120	120	90	156	0	93
Jan-Dec Exports	90	120	90	156	0	93
TOTAL Dom. Consumption	1265	1354	1199	1250	0	1250
Ending Stocks	84	525	63	370	0	436
TOTAL DISTRIBUTION	1469	1999	1352	1776	0	1779

Note: the conversions are 0.8 for brown rice from paddy rice, and 0.88 for milled rice from brown rice.

Rice Retail Prices, 2001-2002

Prices Table			
Country	Taiwan		
Commodity	Rice, Milled		
Prices in	NTD	per uom	100 kilogram
Year	2001	2002	% Change
Jan	3250	3597	10.68%
Feb	3247	3728	14.81%
Mar	3253	3745	15.12%
Apr	3263	3861	18.33%
May	3237	3741	15.57%
Jun	3183	3431	7.79%
Jul	3183	3394	6.63%
Aug	3157	3292	4.28%
Sep	3180	3164	-0.50%
Oct	3300		-100.00%
Nov	3477		-100.00%
Dec	3453		-100.00%
Exchange Rate	34.77	Local currency/US \$	